

Message Text

LIMITED OFFICIAL USE

PAGE 01 TUNIS 05707 01 OF 02 151101Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 XMB-02 /143 W
-----096831 151112Z /10

R 150958Z AUG 78
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 2133
USDOC
INFO AMEMBASSY ALGIERS
AMEMBASSY BELGRADE
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMCONSUL PALERMO
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TIPOLI
AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 1 OF 2 TUNIS 5707

ATHENS FOR RTDO, KUSSELS ALSO FOR USEC

DEPT PASS EXIM, DEPT OF ENERGY

E.O. 11652: N/A
TAGS: ETIO, ENRG, TS
SUBJ: OUTLOOK FOR MISKAR OFFSHORE GAS PROJECT: LINK TO ALGERIAN
GAS

REF: STATE 7437, TUIS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TUNIS 05707 01 OF 02 151101Z

1. SUMMARY: FOR AT LEAST NEXT SIX MONTHS THERE WILL BE NO
CERTAINTY AS TO WHETHER OR NOT TUNISIAN GOVERNMENT WILL CARRY OUT
ITS AMBITIOUS MISKAR OFFSHORE GAS PROJECT WITHIN THE PERIOD OF ITS
FIFTH DEVELOPMENT PLAN (1977-81). FINAL GOT DECISION PROBABLY WILL
BE TAKEN SOME TIME DURING SECOND QUARTER OF 1979 BASED PRIMARILY ON
TWO FACTORS, A) RESULTS OF FIFTH MISKAR EVALUATION WELL TO BE
SPUDDED THIS NOVEMBER, AND B) RESULTS OF NEGOTIATIONS WITH

SONATRACH FOR DIRECT PURCHASE OF GAS. PROSPECTIVE AVAILABILITY OF ALGERIAN GAS FROM PIPELINE TO ITALY HAS ALTERED ECONOMIC CALCULUS UNDERLYING FAVORABLE DECISION NOT MADE ON MISKAR LAST SUMMER BY PROVIDING NEW AND CHAPER REFERENCE PRICE FOR ENERGY AS COMPARED WITH THAT FOR FUEL OIL, WHICH UNDERLAY EARLIER FEASIBILITY STUDY. NOW LARGER RESERVES MUST BE PROVEN TO LOWER UNIT PRICE OF MISKAR GAS. EVEN THEN, SHOULD ALGERIANS AGREE NOT ONLY TO PROVIDE ADEQUATE QUANTITIES OF GAS BUT ALSO- AND FAR LESS PROBABLY - TO CONCESSIONAL PRICES, THEN GOT WOULD LIKELY POSTPONE MISKAR REGARDLESS EVEN OF GOOD RESULTS FROM FIFTH WELL. HOWEVER, PERSONALLY SKEPTICAL POLICY ADVISER SAYS QUOTE BASIC PREJUDICE UNQUOTE WITHIN GOT REMAINS FAVORABLE TO MISKAR; PROBABILITY WE WOULD ASSIGN TO GOT'S GOING AHEAD WITH PROJECT IS OVER 50 PERCENT. WE WOULD ENCOURAGE U.S. FIRMS TO PURSUE MISKAR'S COMMERCIAL OPPORTUNITIES ON THIS BASIS. END SUMMARY.

2. E/C COUNSELOR HAS IN PAST WEEK AGAIN DISCUSSED MISKAR WITH FOUR OR FIVE KEY PUBLIC AND PRIVATE INDIVIDUALS CONCERNED WITH MISKAR. WHILE ONE, WHO CONSISTENTLY HAS OPPOSED PROJECT, SAYS IT IS QUOTE FINISHED UNQUOTE, THIS APPEARS TO BE PREMATURE JUDGEMENT. CHANCES SEEM SLIM THAT TUNISIA WILL GET PREFERENTIAL GAS PRICE IT BELIEVES IT HAS BEEN PROMISED BY ALGERIA. OFFICIAL LEVEL TALKS HAVE NOT PROGRESSED SINCE APRIL. TO COLLECT THIS DISCOUNT, IT IS GENERALLY CONCEDED THERE WOULD HAVE TO BE HIGH LEVEL MEETING - NOT NOW IN OFFING- BETWEEN PRESIDENT BOUMEDIENNE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TUNIS 05707 01 OF 02 151101Z

AND EITHER PRESIDENT BOURGUIBM OR PRIME MINISTER NOUIRA. WHILE MISKAR PRESIDENT-DESIGNATE KAMEL REKIK IS NOT DISINTERESTED PARTY, WE BELIEVE HIS ADVICE IS SOUND. HE COUNSELS INTERESTED COMPANIES TO ACT PRUDENTLY ON ASSUMPTION THAT FINAL DECISION WILL BE TAKEN NEXT YEAR BUT IS NOT PREDICTABLE AT THIS TIME.

3. REKIK STATED THAT MISKAR GROUP WILL PROCEED AT END OF SEPTEMBER WITH CALL FOR BIDS ON DRILLING PLATFORM FABRICATION ANDH INSTALLATION, AND IN EARLY OCTOBER WITH INTERNATIONAL INVITATIONS TO TENDER FOR PIPELINE SUPPLY - POSSIBLY ALSO INCLUDING THAT FOR STEG'S ONSHORE DISTRIBUTION. BIDS RECEIVED FOR OFFSHORE PIPELINE LAYING FROM NINE FIRMS (THREE AMERICAN GROUPS: BROWN AND ROOT, MCDERMOTT AND SANTA FE, ALONG WITH FRENCH, ENGLISH, DUTCH AND ITALIAN COMPETITORS), WEYERHAEUSER OPENED MAY 22. BIDS ARE VALID FOR SIX MONTHS AND REKIK SAID BIDDERS MAY BE ASKED TO EXTEND. UNSPECIFIED AMERICAN FIRMS ALSO ARE INCLUDED IN GROUP PRE-AUCTIONED TO TENDER FOR PLATFORM INSTALLATION. REKIK ACKNOWLEDGED THAT BUSINESSMEN MIGHT QUESTION WHETHER MISKAR GROUP'S CALLS FOR BIDS WERE CONVINCING EVIDENCE OF GOT INTENTIONS. BETTER EVIDENCE, HE SAID, IS OVER \$10 MILLION IT HAS JUST COMMITTED FOR FIFTH EVALUATION WELL THIS FALL. (ETAP APPARENTLY INSISTED ON THIS WELL, AND GOT IS PREPARED TO PAY 85 PERCENT OF COSTS

IN LINE WITH ITS EXPECTED SHARE OF THE ULTIMATE CAPITALIZATION
OF MISKAR COMPANY).

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 TUNIS 05707 02 OF 02 151108Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-01 XMB-02 /143 W
-----096873 151109Z /10

R 150958Z AUG 78
FM AMEMBASSY TUNIS
TO SECSTATE WASODC 2134
USDOC WASHDC
INFO AMEMBASSY ALGIERS
AMEMBASSY ATHENS
AMEMBASSY BELGADE
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMCONSUL PALERMO
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 2 OF 2 TUNIS 5707

4. REKIK WENT TO SOME LENGTH TO EXPLAIN PURPOSE OF ADDITIONAL
EVALUATION DRILONG. WHILE OTHERS EMPHASIZE IMPLICATIONS OF
LARGTY RESERVES ON AMROTIZATION OF IVESTMENT AND THEREFORE
ON UNIT COST OF GAS, REKIK INSISTED FEASIBILITY OF PROJECT
ALREADY IS WELL ESTABLISHED BY 33 BILLION CUBIC METERS OF PROVEN
RESERVES IN INITIAL MISKAR RESERVOIR. HOWEVER, HE SAID, GIVEN
GOT INTENTION TO PURCHASE SOME QUANTITY OF ALGERIAN GAS ON "TAKE
OR PAY" BASIS UNDER LONG TERM (15-20 YEARS) CONTRACT, IT IS
IMPORTANT TO DEFINE BETTER MISKAR'S PRODUCTION POTENTIAL. WHETHER
INITIAL VOLUME TO BE PURCHASED FROM SONATRACH (1.2 BILLION CUBIC
METERS ANNUALLY) WOULD RISE AROUND 1985 TO ONLY 2 RATHER THAN 3
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TUNIS 05707 02 OF 02 151108Z

BILLION CUBIC METERS WOULD DEPEND ON LARGER MISKAR RESERVES IN SECONDARY RESERVOIR, PERMITTING CONTINUATION OF PEAK PRODUCTION RATES IN LATTER PERIOD. REKIK NOTED THAT POSSIBILITY OF MODIFYING PROJEC TO INCLUDE FACILITIES TO SERVE MDDITIONAL SATELLITE PRODUCTION PLATFORM AND PIPE.

5. CONSENSUS OF THOSE INTERVIEWED WAS CONFIDNENCE THAT ALGERIANS ARE READY TO SELL TUNISIA SUBSTANTIAL QUANTITIES OF GAS ON LONG TERM BASIS TO SUPPLEMENT SHARE OF PIPELINE THROUGH PUT IT WILL RECEIVE FROM ITALIANS (INTIALLY 6 PERCENT OF THROUGHPUT) AS TRANSIT DUES. UNDETERMINED QUESTION OF PRICE SEEN AS KEY TO QUANTITY TO BE PURCHASED AND FATE OF MISK YU

6. REFERENCE WAS MADE TO ADVANCED STATE OF NEGOTIATIONS FOR SONATRACH SALE OF GAS TO AUSTRIANS (AND APPARENTLY LESS ADVANCED TALKS WITH YUGOSLAVS), WHICH SUGGEST THAT INITIAL CAPACITY OF PIPELINELIKELY TO BE RAISED FROM 14 BILLION CUBIC METERS ANNUALLY TO 18 BILLION CUBIC METERS ANNUALLY BY INSTALLATION OF GREATER PUMPING POWER.
MULCAHY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OFFSHORE DRILLING, NATURAL GAS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TUNIS05707
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780333-0442
Format: TEL
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780861/aaaabzdb.tel
Line Count: 193
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6807f762-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 7437
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1732334
Secure: OPEN
Status: NATIVE
Subject: OUTLOOK FOR MISKAR OFFSHORE GAS PROJECT: LINK TO ALGERIAN GAS
TAGS: BTIO, ENRG, TS
To: STATE COM
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6807f762-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014